

15 The superannuation system

OVERVIEW

During the 2010–11 financial year:

- the number of self-managed super funds grew by 7.7%, while the total value of assets held by these funds grew by an estimated 11.9%
- there were approximately 1.1 million co-contribution entitlements determined and paid, totalling \$679 million
- the lost members register continued to grow, with the total value of lost accounts increasing by 7.4% from \$18.8 billion on 30 June 2010 to \$20.2 billion on 30 June 2011.

INTRODUCTION

Superannuation (super) is a specifically designed long-term investment vehicle for individuals' retirement savings. The retirement income system includes:

- a compulsory element of super – the superannuation guarantee – which requires employers to contribute a minimum level to their employees' super accounts
- a voluntary level of super encouraged by tax concessions and the government's co-contribution scheme
- the age pension and associated social security arrangements that provide an income safety net for retirees.

The ATO plays a major role in administering the compulsory and voluntary elements of the super system. During the period covered by these statistics, the ATO has had responsibility for:

- income tax on super funds (reported in Chapter 4)
- the other income tax aspects of super
- the superannuation guarantee
- the superannuation holding accounts special account
- the lost members register
- unclaimed super monies
- departing Australia super payments
- the regulation of self-managed super funds
- the co-contributions system
- excess contributions tax on individuals
- the superannuation contributions surcharge
- the termination payments surcharge
- the temporary residents measure.

An increasing number of Australians are directly affected by Australia's super system tax regime. By 30 June 2011, there were:

- approximately 1.4 million registered employers
- 460,545 super funds
- \$1.34 trillion in total assets held by super funds.

As at 30 June 2010, approximately 89% of employees had some form of super and there were approximately 32.9 million member super accounts.

During the 2009–10 financial year, there were:

- \$34.3 billion in member contributions
- \$72.0 billion in employer contributions
- \$60.4 billion in member benefit payments.

For information reported by super funds for the 2009–10 income year, see Chapter 4.

NEW FEATURES AND INFORMATION

Statistics reported in this chapter may have been affected by changes to superannuation co-contribution rules announced in the 2010 Budget (namely a reduction of the matching rate and maximum entitlement, the inclusion of reportable employer superannuation contributions in the eligibility calculation, and enhancements to co-contributions administration).

A new table has been added to this chapter (table 15.2) providing details of the superannuation holding accounts special account. This table replaces the now deleted Detailed Table 1 of previous editions (Superannuation holding accounts special account, 2000–01 to 2010–11 financial years).

SUPERANNUATION GUARANTEE SCHEME

The superannuation guarantee scheme requires employers to provide the following to their eligible employees:

- a prescribed minimum level of super support to a complying super fund or retirement savings account
- a choice of super fund that their entitlements are paid to.

Some employees are not eligible for superannuation guarantee contributions because of low salary or wages, age or hours of work.

Most employees can choose the fund they want employers to pay their super contributions into. Employers must provide a *Standard choice form* (NAT 13080) to new employees who are eligible to choose a super fund, within 28 days of the day they start working. Once an employee chooses a fund, employers have two months or by the next due date for payment of super contributions, whichever is earlier, to arrange to pay contributions into that fund.

Employers who fail to provide a minimum level of super support (or to meet their choice of super fund obligations) for all eligible employees, are liable to pay a non-deductible superannuation guarantee charge.

This charge is equal to:

- the employer's total superannuation guarantee shortfalls
- an interest component of 10% per annum calculated from the beginning of the quarter relating to the shortfall to the 28th day of the second month following the end of the quarter, or the date of lodgment of the superannuation guarantee statement (whichever is later)
- an administrative fee for each employee not fully covered, of \$20 per employee per quarter.

The ATO collects the superannuation guarantee charge from employers and facilitates the transfer of the shortfall component, plus interest, to their employees' relevant super accounts. In addition to the superannuation guarantee charge, penalties may apply.

Table 15.1 Superannuation guarantee charge collections and distributions, 2009–10 and 2010–11 financial years

Superannuation guarantee charge (SGC)	2009–10 \$m	2010–11 \$m
SGC net cash collections	262	269
Entitlements distributed ¹	195	258

¹ Includes amounts transferred to the superannuation holding accounts special account.

SUPERANNUATION HOLDING ACCOUNTS SPECIAL ACCOUNT

The superannuation holding accounts special account (special account) closed to new employer superannuation guarantee deposits on 30 June 2006. However, the special account still contains accounts where a holder has not yet transferred their money to a super fund or retirement savings account.

The special account may also receive unclaimed superannuation guarantee shortfall component amounts and superannuation co-contribution amounts. At the end of the 2010–11 financial year, the total value of accounts in the special account was \$71.7 million.

Deposits into the special account in 2010–11 totalled \$4.1 million. The majority of this money was a result of the transfer of money returned from funds, as well as some returned cheques and unclaimed superannuation guarantee shortfall component amounts.

Transfers out of the special account in 2010–11 totalled \$16 million and the majority of this money was paid to super funds and retirement savings accounts. Inactive accounts in the special account were also transferred to consolidated revenue.

Table 15.2 Superannuation holding accounts special account, 2009–10 and 2010–11 financial years

Special account	2009–10	2010–11
Value of deposits (\$m)	23.5	4.1
Number of accounts > \$0	161,735	175,768
Total value of individual accounts (\$m)	64.0	71.8
Total value of accounts ¹ (\$m)	83.7	71.8

¹ The total value of accounts is generally more than the total value of individual accounts due to money awaiting distribution to individual accounts or transfer to superannuation funds.

LOST MEMBERS REGISTER

The ATO maintains a register of accounts that super funds have classified as 'lost'. Super funds report members as lost when they have received unclaimed mail for the member (uncontactable) and/or when the account has not shown activity for some time (inactive).

The total number of lost accounts as at 30 June 2011 was five million compared to 5.8 million as at 30 June 2010, a 13.8% decrease. The value of the lost members register as at 30 June 2011 was \$20.2 billion, compared to \$18.8 billion as at 30 June 2010, an increase of 7.4%.

Table 15.3 Lost members register accounts, 2009–10 and 2010–11 financial years

Lost members register accounts	2009–10	2010–11
Total accounts at 30 June (\$m)	5.8	5.0
Uncontactable accounts (\$m)	4.5	3.5
Inactive accounts (\$m)	1.3	1.5
Closing value at 30 June (\$b)	18.8	20.2
Value of uncontactable accounts (\$b)	12.2	12.1
Value of inactive accounts (\$b)	6.6	8.1

UNCLAIMED SUPER MONEY

In general terms, unclaimed super money is an amount that is payable to the ATO or, in limited circumstances, to the relevant state or territory authority, where the super provider is unable to ensure that the money will be received by the person who is entitled to it. These include:

- members who have reached eligibility age (currently age 65) and whose accounts are inactive
- non-member spouses who are entitled to a splittable payment
- members who have died and whose accounts are inactive
- former temporary residents with cancelled or expired visas and who departed Australia over six months ago
- members with small or insoluble lost member accounts.

Recent legislative changes have resulted in the ATO administering new categories of unclaimed superannuation money. Some of the major changes include:

- from 18 December 2008, super funds must report and pay certain former temporary residents' unclaimed super money to the ATO
- from 1 July 2010, super funds must report and pay small and insoluble lost member accounts as unclaimed super money to the ATO

This latest measure has resulted in approximately \$184 million and 1.7 million accounts being transferred to the ATO. During 2010–11, \$36.3 million was paid out as a result of claims made for unclaimed money, with \$14.7 million tax withheld. As at 30 June 2011, the ATO held \$404 million relating to former temporary residents.

Table 15.4 Unclaimed super held by ATO, 2009–10 and 2010–11 financial years

Unclaimed super	2009–10 No.	2010–11 No.
Accounts at 30 June	413,000	2,316,000
Closing value at 30 June (\$m)	393	730

SELF-MANAGED SUPER FUNDS

The ATO assumed regulatory responsibility for self-managed super funds following amendments to the *Superannuation Industry (Supervision) Act 1993* in October 1999.

Broadly, the *Superannuation Industry (Supervision) Act 1993* defines a self-managed super fund according to the following criteria:

- it has four or fewer members
- no member of the fund is an employee of another member of the fund, unless they are relatives
- each member is a trustee or where the trustee is a body corporate (known as a corporate trustee), each member is a director of the body corporate
- no trustee of the fund or director of the corporate trustee of the fund receives any remuneration for their services in relation to the fund.

While self-managed funds make up 99% of all super funds, they only represent 2.5% of total super member accounts. Self-managed funds now hold 31% of all assets in the Australian super system, making them the largest sector in the super industry.

In 2010–11, 33,436 new funds were registered, compared to 31,140 in the previous financial year. The net growth in the number of self-managed funds was 7.7%, with a growth in estimated total assets of 11.9%.

Table 15.5 Self-managed super funds, 2009–10 and 2010–11 financial years

Self-managed super funds	2009–10 ¹	2010–11
Funds (no.)	423,853	456,472
Members ² (no.)	805,978	867,863
Assets ² (\$m)	373,840	418,469

¹ The 2009–10 figures have been updated.

² Estimates based on ATO data.

The majority (91.4%) of self-managed funds have one or two members.

Table 15.6 Number of members in self-managed super funds, 2008–09 and 2009–10 income years¹

Number of members	Proportion of funds (%)	
	2008–09	2009–10
1	23.1%	22.6%
2	67.9%	68.8%
3	4.5%	4.2%
4	4.6%	4.4%

¹ 2010–11 fund tax return information not available.

The asset allocation below is based on data collected from self-managed super fund annual returns.

Table 15.7 Asset allocation across self-managed super funds, 2008–09 and 2009–10 income years¹

Asset type	2008–09 ² %	2009–10 %
Listed shares	29.1	32.2
Cash and term deposits	29.6	27.9
Non-residential real property	11.2	11.0
Unlisted trusts	9.0	8.9
Listed trusts	5.7	5.1
Other managed investments	4.8	5.1
Residential real property	3.6	3.6
Other assets	3.4	2.8
Unlisted shares	1.2	1.1
Overseas assets ³	0.8	0.8
Debt securities	0.6	0.6
Loans	0.7	0.6
Derivatives and instalment warrants	0.2	0.2
Artwork, collectibles, metal or jewels	0.2	0.2
Insurance policies ⁴	0.1	..
Total⁵	100.0	100.0

¹ 2010–11 fund tax return information not available.

² The 2008–09 figures have been updated.

³ Includes all labels listed at item 14c on page 10 of the 2010 SMSF annual return.

⁴ ‘..’ means rounded to zero but not zero.

⁵ Totals may differ from the sum of the components due to rounding.

SUPERANNUATION CO-CONTRIBUTION

The superannuation co-contribution has operated since 1 July 2003. It is intended to help low and middle income earners save for their retirement. If an eligible person makes personal super contributions, the government will match their contributions with a co-contribution, subject to certain limits. In 2007, the measure was extended to eligible people who were self-employed. The income thresholds were not indexed in the 2010–11 year.

For the 2010–11 year of entitlement, for eligible persons with total income below \$31,920, the government matched 100% of personal contributions made – up to a maximum co-contribution of \$1,000. The maximum co-contribution entitlement is reduced by 3.333 cents for each dollar of total income earned above \$31,920, phasing out at the higher income threshold of \$61,920.

A co-contribution entitlement is determined and paid, generally to an individual's super account, once the ATO matches an individual's income tax return with the member contribution information supplied by a super fund or retirement savings account provider. As income tax return and member contribution information are lodged with the ATO after the end of the relevant income year, the payment of a co-contribution usually occurs in the following income year. During 2010–11, most co-contribution payments (89.7%) related to personal contributions made during the 2009–10 income year.

The number and amount of co-contribution entitlements determined and paid in the 2010–11 financial year decreased by 19.1% and 46.8% respectively when compared to the 2009–10 financial year, mainly due to changes resulting from the May 2010 Budget.

Table 15.8 Co-contribution entitlements determined and paid, 2009–10 and 2010–11 financial years¹

Co-contribution	2009–10		2010–11	
	No.	\$m	No.	\$m
Total	1,423,637	1,275	1,097,134	679

¹ Co-contribution entitlements determined and paid in the financial year relate to personal contributions made in previous income years. The figures in this table refer to payments of original entitlements and do not include credit amendments or interest.

Since the inception of the scheme, more co-contributions have been paid to females than males. This trend continued in the 2010–11 year, where 60% of entitlements both determined and paid went to females. Take-up of co-contributions continues to be dominated by those aged between 41 and 60.

Table 15.9 Number of co-contribution entitlements determined and paid, by age and gender, 2010–11 financial year¹

Age range	Female No.	Male No.	Total No.
Under 21	21,034	28,011	49,045
21–25	37,211	34,664	71,875
26–30	37,285	27,175	64,460
31–35	47,818	27,585	75,403
36–40	69,217	37,024	106,241
41–45	81,909	43,889	125,798
46–50	100,436	55,211	155,647
51–55	102,849	59,381	162,230
56–60	93,579	62,650	156,229
61–65	53,116	52,156	105,272
66–70	10,475	14,459	24,934
Total	654,929	442,205	1,097,134

¹ Co-contribution entitlements determined and paid in 2010–11 relate to personal contributions made in the 2003–04 to 2009–10 income years.

EXCESS CONTRIBUTIONS TAX

From 1 July 2007, super contributions are subject to annual caps. Contributions in excess of the relevant caps will be subject to additional tax. Individuals who exceed one or both of the contributions caps receive an excess contributions tax assessment. Individuals will be taxed at:

- 31.5% on the amount of excess concessional contributions
- 46.5% on the amount of excess non-concessional contributions.

Where an excess contributions tax liability arises, the individual will be able to, and in some cases must, withdraw an amount equal to their tax liability from their super fund.

Transitional provisions were put in place to accommodate the commencement of the cap on non-concessional contributions and applied to contributions made between 10 May 2006 and 30 June 2007 inclusive. This included a temporary increase to the non-concessional contributions cap to \$1 million.

Table 15.10 Excess contributions tax assessments issued, 2009–10 and 2010–11 financial years

Excess contributions tax	2009–10	2010–11
Net liabilities raised (\$m)	118.1	243.6

These assessments relate to liabilities raised for the transitional period outlined above and the 2007–08, 2008–09 and 2009–10 financial years.

SUPERANNUATION SURCHARGE

The superannuation surcharge has been repealed. The surcharge does not apply to super contributions made, or termination payments received, on or after 1 July 2005. However, the surcharge still applies, and continues to be collected, in respect of contributions made before that date. This is generally why the number of assessments and the amount of surcharge collected is decreasing.

Surcharge only applied for high income earners whose taxable income, reportable fringe benefits amounts and surchargeable contributions together exceeded a certain threshold (\$99,710 in 2004–05).

Table 15.11 Surcharge assessments issued, 2009–10 and 2010–11 financial years

Superannuation surcharge	2009–10 ¹	2010–11 ¹
Surcharge assessments issued	28,420	18,679
Surcharge collected ² (\$m)	54	42

1 The 2009–10 and 2010–11 figures relate to surcharge assessments in respect of 2004–05 and previous years.

2 Surcharge collected does not relate to assessments issued. The individual is not liable for surcharge until they access their benefits or roll the benefit into another fund.

SOURCE OF SUPER STATISTICS

The statistics in this chapter are sourced from the various super systems, fund income tax and regulatory returns processed by 30 June 2011, and the Australian Business Register. Most of the statistics reported in the introduction section of this chapter are sourced from the Australian Prudential Regulation Authority publications, *Quarterly superannuation performance June 2011* and *Annual Superannuation Bulletin June 2010*.

Statistics reported in the self-managed super funds tables have been updated for 2009–10 and prior years to incorporate data received and processed by 30 June 2011. These statistics cannot be compared to those in previous editions of *Taxation statistics*.

Copies of the fund income tax return and self-managed superannuation fund annual return forms are in the appendix. You can view or download them in PDF file format from the attached CD-ROM or from the online version of *Taxation statistics* on our website at www.ato.gov.au

SUPER CHAPTER TABLES

The super chapter tables are now on the attached CD-ROM and included in the online version of this publication on our website. You can now view or download all the chapter tables in Excel.

LIST OF SUPER DETAILED TABLES

The following detailed tables are on the attached CD-ROM and included in the online version of this publication on our website. You can view or download all the detailed tables in PDF or Excel.

Table 1 Selected self-managed super funds demographics, 1999–2000 to 2010–11 financial years

This table details the number of funds, number of members and total value of assets for self-managed super funds for the 1999–2000 to 2010–11 financial years.

Table 2 Postcodes of beneficiaries of superannuation co-contributions, 2010–11 financial year

This table contains details of the state/territory and postcodes of individuals who had a superannuation co-contribution both determined and paid during the 2010–11 financial year. Postcodes and state/territory codes used to compile this information were obtained from income tax postal addresses.